SANTA ANA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
Santa Ana Unified School District
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 17 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 15 and budgetary comparison, other postemployment benefit (OPEB) funding progress, District's proportionate share of the net pension liability, and District contribution information on pages 76 through 79, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Ana Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by (Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations)* and the other supplementary information as listed on the table of contents, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015, on our consideration of the Santa Ana Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Ana Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 4, 2015

This section of Santa Ana Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.
>
> The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Santa Ana Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds **-** Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds **-** When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity. The District's fiduciary activities are reported in the *Statement of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $244.6 million for the fiscal year ended June 30, 2015, reflecting an increase of 20.5 percent since June 30, 2014. Of this amount, $114.5 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2015	2014 as restated
Assets		
Current and other assets	$ 282,203,374	$ 282,756,821
Capital assets	984,439,263	926,106,606
Total Assets	**1,266,642,637**	**1,208,863,427**
Deferred Outflows of Resoruces	**35,242,043**	**28,169,359**
Liabilities		
Current liabilities, including current portion of long-term obligations	82,580,587	88,357,624
Long-term obligations	493,382,389	474,598,511
Aggregate net pension liability	379,523,796	471,135,401
Total Liabilities	**955,486,772**	**1,034,091,536**
Deferred Inflows of Resources	**101,826,055**	**-**
Net Position		
Net investment in capital assets	640,521,276	572,952,431
Restricted	114,477,000	145,552,617
Unrestricted	(510,426,423)	(515,563,798)
Total Net Position	**$ 244,571,853**	**$ 202,941,250**

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased to $(510.4) million compared to $(515.6) million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 2,698,468	$ 3,199,199
Operating grants and contributions	148,471,238	139,084,478
Capital grants and contributions	8,494,325	15,081,523
General revenues:		
Federal and State aid not restricted	319,432,207	265,462,571
Property taxes	136,052,373	124,877,224
Other general revenues	47,393,458	39,316,622
Total Revenues	**662,542,069**	**587,021,617**
Expenses		
Instruction	365,309,823	323,870,386
Instruction-related	64,567,126	65,320,859
Pupil services	70,289,323	69,550,224
Administration	31,565,391	25,831,395
Plant services	52,075,730	52,709,033
Interest on long-term obligations	21,468,468	22,207,087
Other	15,635,605	16,776,540
Total Expenses	**620,911,466**	**576,265,524**
Change in Net Position	**$ 41,630,603**	**$ 10,756,093**

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was $620.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $136.1 million because the cost was paid by those who benefited from the programs $(2.7 million) or by other governments and organizations who subsidized certain programs with grants and contributions $(157.0 million). We paid for the remaining "public benefit" portion of our governmental activities with $366.8 million in State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction, instruction-related programs, pupil services, administration, plant services, and interest on long-term obligations, and all other functional expenses. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	$ 365,309,823	$ 323,870,386	$ 272,572,614	$ 233,142,145
Instruction-related	64,567,126	65,320,859	52,307,579	48,802,711
Pupil services	70,289,323	69,550,224	28,593,279	29,877,067
Administration	31,565,391	25,831,395	25,899,903	22,238,117
Plant services	52,075,730	52,709,033	51,517,879	51,995,039
Interest on long-term obligations	21,468,468	22,207,087	21,468,468	22,207,087
Other	15,635,605	16,776,540	8,887,713	10,638,158
Total	**$ 620,911,466**	**$ 576,265,524**	**$ 461,247,435**	**$ 418,900,324**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $174.4 million, which is a decrease of $12.0 million from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	$ 42,463,674	$ 553,255,779	$ 542,398,809	$ 53,320,644
County School Facilities Fund	47,040,669	8,508,861	26,274,376	29,275,154
Special Reserve Fund for Capital Outlay Projects	21,910,787	24,466,135	30,300,508	16,076,414
Child Development Fund	68,628	2,366,256	2,348,250	86,634
Cafeteria Fund	19,195,494	37,228,235	34,654,212	21,769,517
Deferred Maintenance Fund	2,446,155	4,033,888	4,677,047	1,802,996
Building Fund	15,391,465	54,490	4,486,189	10,959,766
Capital Facilities Fund	9,658,974	3,870,165	2,871,569	10,657,570
Capital Projects Fund for Blended Component Units	864,397	200,598	233,240	831,755
Bond Interest and Redemption Fund	18,516,965	20,693,383	19,183,109	20,027,239
Debt Service Fund for Blended Component Units	8,851,648	6,563,771	5,850,587	9,564,832
Total	**$ 186,408,856**	**$ 661,241,561**	**$ 673,277,896**	**$ 174,372,521**

The primary reasons for changes are:

a. The General Fund showed an increase of $10.9 million.
b. The County School Facilities Fund showed a decrease of $17.8 million.
c. The Special Reserve Fund for Capital Outlay Projects showed a decrease of $5.8 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 24, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 76.)

The key differences between the original budget, final budget, and actual results is attributable to:

- Re-allocation of categorical program carryover from the prior year, and
- Adjusted revenue and expenditures to project spending amounts and carryovers for current year.

As has been the practice of the District, Santa Ana Unified School District does not reallocate categorical program carryover from the prior year until the financial records for the prior year are closed. Consequently, the original budget does not include revenues or expenditures related to categorical carryover, while the final budget and actual results reflects these carryovers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $984.4 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $58.3 million, or 6.3 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2015	2014
Land and construction in progress	$ 187,378,108	$ 157,685,934
Buildings and improvements	787,242,635	758,253,535
Furniture and equipment	9,818,520	10,167,137
Total	**$ 984,439,263**	**$ 926,106,606**

This year's additions of $59 million (see Note 4) included several completed construction projects for modernization, new construction and QZAB solar.

Several capital projects are planned for the 2015-2016 year. We anticipate capital additions to be $39 million for the 2015-2016 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $493.4 million in long-term obligations versus $491.3 million last year. The obligations consisted of:

Table 6

	Governmental Activities			
	2015		2014	
General obligation bonds - net (financed with property taxes)	$	334,975,726	$	336,859,130
Certificates of participation - net		81,450,246		83,150,081
Qualified zone academy bonds		11,500,000		11,500,000
Lease certificates		-		999,526
Career Technical Education facilities program loan		1,061,788		-
Compensated absences		1,897,758		680,719
Claims liability		13,206,109		14,651,590
Other postemployment benefits		49,290,762		43,495,672
Total	**$**	**493,382,389**	**$**	**491,336,718**

The State limits the amount of general obligation debt that unified school districts can issue to two and one-half percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $335.0 million is significantly below this $670.6 million statutorily-imposed limit.

Other obligations include certificates of participation, qualified zone academy bonds, lease certificates, compensated absences payable, other postemployment benefits and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of $379.5 million, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

1. Middle College High School was recognized for the second time as an Exemplary High Performing National Blue Ribbon School for its excellence in providing high learning standards for students. Only eight high schools were selected in California, and Middle College is the only high school in Orange County selected for 2015.

2. Madison Elementary School Principal Lisa Gonzales-Solomon was named 2015 National Distinguished Principal. Lisa was nominated and selected by her fellow principals and colleagues through a statewide search process conducted by the Association of California School Administrators.

3. Mendez Fundamental Intermediate School Teacher Sharon Romeo was selected Orange County Teacher of the Year 2016. As Orange County Teacher of the Year, Sharon is a candidate for California Teacher of the Year.

4. SAUSD will be inducted into the League of Innovative Schools (announcement pending), an association associated with a Whitehouse initiative called the Digital Promise. Santa Ana Unified joined 80 Districts from around the country that are considered some of the most innovative and leading the discussion with Congress in shaping educational policy as it applies to digital transformation in schools. http://www.digitalpromise.org/initiatives/league-of-innovative-schools

5. Segerstrom High School is the only public high school in our region to be approved to have all seniors take the ACT college readiness entrance examination during school hours at no cost to students. This supports SAUSD's mission of a college-going culture for all students.

6. The Santa Ana Adelante partnership with Santa Ana College, California State University Fullerton, and University of California Irvine continues to thrive providing a pathway to college with academic and financial support to Santa Ana Unified School District students. In March 2015, the California Department of Finance awarded $5 million to support the partnership.

7. Advanced Learning Academy, the District's newest school, opened this school year with a focus on high-tech, project-based, and STEM (Science, Technology, Engineering, and Mathematics) curriculum beginning with grades 4th through 6th.

8. The State-of-the-Art Santa Ana Public Schools Sports Complex opened this school year. The stadium features a football stadium with artificial turf and 3,500 seats, all-weather running track, baseball and softball fields, and three artificial turf practice fields. It also contains a sports lighting, concession buildings, exercise park, and the SAUSD Athletics Wall of Fame.

9. Spurgeon was identified by Educational Reform expert, Tom Vander Ark, as one of 15 middle schools in the country worth visiting (http://gettingsmart.com/2014/11/100-schools-worth-visiting/).

10. Michael Collins, AVID Coordinator at Santa Ana Valley High School, was awarded the AVID Teacher Advocacy Award for 2015. He is one of five teachers in California who received the award. Michael was chosen because he demonstrated an exceptional role in student advocacy in support of the AVID mission in a school and district.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2015-2016 budget was adopted according to the statute prior to June 30, 2015. The District's revenue and expenditure projections are reflective of the Governor's May Revise Budget Proposal. In considering the District Budget for the 2014-2015 year, the Board of Education and District Management used the following criteria:

Revenue:

1. The District's major source of income is from the Local Control Funding Formula (LCFF). LCFF funding consists of Base, Supplemental, and Concentration grants, as well as Targeted Instructional Improvement Block Grant and Home-to School Transportation add-on programs.
2. Projected declining enrollment of - 638
3. Utilization of 2014-2015 P2 ADA to calculate LCFF funding
4. LCFF Gap funding of 53.08 percent
5. Statutory COLA of 1.02 percent
6. Unduplicated count of 94.23 percent
7. Increased contribution to CTE program
8. Increased contribution to Routine Restricted Maintenance
9. Mandated Block Grant

Expenditures were based on the following:

1. CSEA and Management settlement of salary increases of 5.5 percent effective July 1, 2015
2. Increased costs for STRS/PERS, Health and Welfare, Affordable Care Act and Sick Leave
3. Increased Special Education costs

Staffing ratios:

	Staffing Ratio	Enrollment
Kindergarten	29:1	4,366
Grade one	29:1	4,112
Grade two	29:1	4,053
Grade three	29:1	4,044
Grades four through five	29:1	8,216
Grades six through eight	35:1	11,326
Grades nine through twelve	36:1	14,685

With the implementation of the LCFF in 2013-2014, the District did not need to make any budget reductions for both the 2014-2015 and 2015-16 fiscal years.

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Director of Accounting, at Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California, 92701-6322, or e-mail at timothy.peck@sausd.us.

SANTA ANA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

		Governmental Activities
ASSETS		
Deposits and investments	$	238,624,346
Receivables		41,877,739
Stores inventories		1,701,289
Capital Assets		
Land and construction in process		187,378,108
Other capital assets		975,452,954
Less: accumulated depreciation		(178,391,799)
Total Capital Assets		984,439,263
Total Assets		1,266,642,637
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		547,525
Net change in proportionate share of net pension liability		3,217,096
Current year pension contribution		31,477,422
Total Deferred Outflows of Resources		35,242,043
LIABILITIES		
Accounts payable		48,331,411
Accrued interest payable		4,179,599
Unearned revenue		30,069,577
Long-Term Obligations		
Current portion of long-term obligations other than pensions		15,272,928
Noncurrent portion of long-term obligations other than pensions		478,109,461
Total Long-Term Obligations		493,382,389
Aggregate net pension liability		379,523,796
Total Liabilities		955,486,772
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual earnings on pension plan investments		101,826,055
NET POSITION		
Net investment in capital assets		640,521,276
Restricted for:		
Debt service		25,412,472
Capital projects		41,598,240
Educational programs		10,074,961
Other activities		37,391,327
Unrestricted		(510,426,423)
Total Net Position	$	244,571,853

The accompanying notes are an integral part of these financial statements.

SANTA ANA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities:					
Instruction	$ 365,309,823	$ 872,894	$ 83,369,990	$ 8,494,325	$ (272,572,614)
Instruction-related activities:					
Supervision of instruction	25,182,604	53,231	9,712,981	-	(15,416,392)
Instructional library, media, and technology	3,763,168	519	116,751	-	(3,645,898)
School site administration	35,621,354	8,521	2,367,544	-	(33,245,289)
Pupil services:					
Home-to-school transportation	10,104,493	-	-	-	(10,104,493)
Food services	33,132,683	1,091,886	31,162,310	-	(878,487)
All other pupil services	27,052,147	89,845	9,352,003	-	(17,610,299)
Administration:					
Data processing	5,357,551	3,597	33,776	-	(5,320,178)
All other administration	26,207,840	113,159	5,514,956	-	(20,579,725)
Plant services	52,075,730	11,753	546,098	-	(51,517,879)
Ancillary services	4,505,681	1,297	54,243	-	(4,450,141)
Community services	107,298	110	998	-	(106,190)
Enterprise services	124,861	4,411	121,541	-	1,091
Interest on long-term obligations	21,468,468	-	-	-	(21,468,468)
Other outgo	10,897,765	447,245	6,118,047	-	(4,332,473)
Total Governmental Activities	$ 620,911,466	$ 2,698,468	$ 148,471,238	$ 8,494,325	(461,247,435)
	General revenues and subventions:				
	Property taxes, levied for general purposes				113,431,133
	Property taxes, levied for debt service				19,316,876
	Taxes levied for other specific purposes				3,304,364
	Federal and State aid not restricted to specific purposes				319,432,207
	Interest and investment earnings				568,799
	Miscellaneous				46,824,659
	Subtotal, General Revenues				502,878,038
	Change in Net Position				41,630,603
	Net Position - Beginning, as restated				202,941,250
	Net Position - Ending				$ 244,571,853

The accompanying notes are an integral part of these financial statements.

SANTA ANA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 56,067,698	$ 30,790,917	$ 55,303,645	$ 65,824,727	$ 207,986,987
Receivables	28,354,416	10,820	3,073,647	9,804,877	41,243,760
Due from other funds	4,932,754	4,019,243	1,153,998	6,848,666	16,954,661
Stores inventories	1,105,197	-	-	596,092	1,701,289
Total Assets	$ 90,460,065	$ 34,820,980	$ 59,531,290	$ 83,074,362	$ 267,886,697
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 26,071,304	$ 5,488,447	$ 7,937,001	$ 3,538,245	$ 43,034,997
Due to other funds	9,892,904	57,379	6,630,239	3,829,080	20,409,602
Unearned revenue	1,175,213	-	28,887,636	6,728	30,069,577
Total Liabilities	37,139,421	5,545,826	43,454,876	7,374,053	93,514,176
Fund Balances:					
Nonspendable	1,295,197	-	-	601,946	1,897,143
Restricted	9,988,327	29,275,154	1,665,516	73,293,670	114,222,667
Committed	7,326,913	-	-	1,802,996	9,129,909
Assigned	23,618,094	-	14,410,898	1,697	38,030,689
Unassigned	11,092,113	-	-	-	11,092,113
Total Fund Balances	53,320,644	29,275,154	16,076,414	75,700,309	174,372,521
Total Liabilities and Fund Balances	$ 90,460,065	$ 34,820,980	$ 59,531,290	$ 83,074,362	$ 267,886,697

The accompanying notes are an integral part of these financial statements.

SANTA ANA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balance - Governmental Funds		**$ 174,372,521**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 1,162,831,062	
Accumulated depreciation is	(178,391,799)	
Net Capital Assets		984,439,263
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		31,477,422
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(4,179,599)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		16,223,756
Deferred amounts on refunding (difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) are included with governmental activities.		547,525
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		3,217,096
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(101,826,055)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(379,523,796)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	273,523,139	
Premium on issuance of bonds	8,477,796	
Certificates of participation	61,573,748	
Premium on issuance of certificates	1,180,653	
Qualified zone academy bonds	11,500,000	
Compensated absences (vacations)	1,897,758	
Career Technical Education facilities program loan	1,061,788	
Net OPEB obligation	49,290,762	
In addition, the District has issued "capital appreciation" bonds and certificates. The accretion of interest on those bonds and certificates to date is the following:	71,670,636	
Total Long-Term Obligations		(480,176,280)
Total Net Position - Governmental Activities		**$ 244,571,853**

The accompanying notes are an integral part of these financial statements.

SANTA ANA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	County School Facilities Fund
REVENUES		
Local Control Funding Formula	$ 415,938,621	$ -
Federal sources	41,949,463	-
Other State sources	77,582,625	8,334,027
Other local sources	16,471,758	174,834
Total Revenues	551,942,467	8,508,861
EXPENDITURES		
Current		
Instruction	347,934,786	-
Instruction-related activities:		
Supervision of instruction	23,090,999	-
Instructional library, media, and technology	3,712,430	-
School site administration	34,781,876	-
Pupil services:		
Home-to-school transportation	10,101,955	-
Food services	453,600	-
All other pupil services	24,918,745	-
Administration:		
Data processing	5,358,513	-
All other administration	23,447,924	-
Plant services	49,394,731	28,506
Facility acquisition and construction	4,931,678	26,245,870
Ancillary services	4,444,622	-
Community services	106,053	-
Other outgo	4,385,744	-
Enterprise services	-	-
Debt service		
Principal	251,524	-
Interest and other	13,739	-
Total Expenditures	537,328,919	26,274,376
Excess (Deficiency) of Revenues Over Expenditures	14,613,548	(17,765,515)
Other Financing Sources (Uses)		
Transfers in	-	-
Other sources - proceeds from facilities program loan	1,313,312	-
Transfers out	(5,069,890)	-
Net Financing Sources (Uses)	(3,756,578)	-
NET CHANGE IN FUND BALANCES	10,856,970	(17,765,515)
Fund Balances - Beginning	42,463,674	47,040,669
Fund Balances - Ending	$ 53,320,644	$ 29,275,154

The accompanying notes are an integral part of these financial statements.

Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 415,938,621
-	34,080,156	76,029,619
19,163,292	8,788,333	113,868,277
4,730,767	26,475,186	47,852,545
23,894,059	69,343,675	653,689,062
-	1,614,484	349,549,270
-	224,266	23,315,265
-	-	3,712,430
-	173,818	34,955,694
-	-	10,101,955
-	32,520,669	32,974,269
-	174,365	25,093,110
-	-	5,358,513
-	1,904,163	25,352,087
39,408	4,032,866	53,495,511
28,818,969	7,469,879	67,466,396
-	-	4,444,622
-	-	106,053
-	-	4,385,744
-	118,189	118,189
-	13,239,526	13,491,050
-	12,831,978	12,845,717
28,858,377	74,304,203	666,765,875
(4,964,318)	(4,960,528)	(13,076,813)
572,076	5,667,111	6,239,187
-	-	1,313,312
(1,442,131)	-	(6,512,021)
(870,055)	5,667,111	1,040,478
(5,834,373)	706,583	(12,036,335)
21,910,787	74,993,726	186,408,856
$ 16,076,414	$ 75,700,309	$ 174,372,521

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		**$ (12,036,335)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 70,479,301	
Depreciation expense	(12,146,644)	
Net Expense Adjustment		58,332,657
In the Statement of Activities, certain operating expenses - compensated absences (vacations) is measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned was more than the amounts paid by $1,217,039.		(1,217,039)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(3,105,264)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(5,795,090)
Proceeds received from Career Technical Education facilities program loan is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(1,313,312)
Under the modified basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	497,507	
Amortization of deferred gain on refunding	(36,502)	461,005

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	$	8,965,000
Certificates of participation		3,275,000
Lease certificates		999,526
CTE facilities program loan		251,524
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of the two factors. First, accrued interest on the general obligation bonds and certificates of participation decreased by $70,512, and second, $9,154,268 of additional interest was accreted on the District's capital appreciation general obligation bonds and certificates of participation.		(9,083,756)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net deficit of the Internal Service Fund is reported with governmental activities.		1,896,687
Change in Net Position of Governmental Activities	**$**	**41,630,603**

SANTA ANA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 30,637,359
Receivables	633,979
Due from other funds	5,404,717
Total Current Assets	36,676,055
LIABILITIES	
Current Liabilities	
Accounts payable	5,296,414
Due to other funds	1,949,776
Current portion of long-term obligations	2,031,404
Total Current Liabilities	9,277,594
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	11,174,705
NET POSITION	
Restricted	16,223,756
Total Net Position	$ 16,223,756

SANTA ANA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 17,424,388
OPERATING EXPENSES	
Payroll costs	10,431,488
Supplies and materials	179,188
Facility rental	28,152
Other operating cost	5,251,058
Total Operating Expenses	15,889,886
Operating Income	1,534,502
NONOPERATING REVENUES	
Interest income	89,351
Transfers in	272,834
Total Nonoperating Revenues	362,185
Change in Net Position	1,896,687
Total Net Position - Beginning	14,327,069
Total Net Position - Ending	$ 16,223,756

SANTA ANA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 18,907,178
Other operating cash receipts	48,031
Cash payments to other suppliers of goods or services	4,681,642
Cash payments to employees for services	(9,946,750)
Other operating cash payments	(6,696,539)
Net Cash Provided by Operating Activities	6,993,562
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	272,834
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	89,351
Net increase in cash and cash equivalents	7,355,747
Cash and cash equivalents - Beginning	23,281,612
Cash and cash equivalents - Ending	$ 30,637,359
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 1,534,502
Changes in assets and liabilities:	
Receivables	(333,297)
Due from other funds	1,864,118
Accounts payable	4,888,982
Due to other fund	484,738
Claims liability	(1,445,481)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 6,993,562

SANTA ANA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

		Agency Funds
ASSETS		
Deposits and investments	$	2,726,920
Receivables		455
Total Assets	$	2,727,375
LIABILITIES		
Due to student groups	$	1,550,264
Due to bondholders		1,177,111
Total Liabilities	$	2,727,375

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santa Ana Unified School District (the District) was organized in 1888 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates thirty-six elementary schools, nine middle schools, six high schools, ten special schools/programs, and three alternative high schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Santa Ana Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Santa Ana Unified School District Public Facilities Corporation (the Corporation) is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling, and leasing public facilities, land, personal property and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under various lease-purchase agreements recorded in long-term obligations.

The Corporation's financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

On August 24, 2004, the District voted to establish Community Facilities District (CFD) No. 2004-1 and to authorize the levy of special taxes. The purpose of the agreement is to provide for the issuance of certain debt obligations to provide and finance the design, acquisition and construction of certain public facilities, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The CFD is authorized to levy special taxes on parcels of taxable property within the CFD to pay the principal and interest on the bonds. The CFD financial activity is presented in the Agency Fund. Debt instruments issued by the CFD do not represent liabilities of the District or component unit and is not included in the District-wide financial statements.

Other Related Entities

Charter School The District has approved Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Senior Academy of Santa Ana, El Sol Science and Arts Academy of Santa Ana, NOVA Academy, and Orange County High School of the Arts pursuant to *Education Code* Section 47605. None of the Charter Schools are operated by the District, and their financial activities are not presented in the District's financial statements. The Charter Schools are operated by separate governing boards and are not considered component units of the District. The Charter Schools receive State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies.

Basis of Presentation Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Other Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets and fund balance of $3,000,133 an increase in revenues and other financing sources of $132, and a decrease in expenditures and other financing uses of $3,000,001.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Capital Outlay Projects Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Debt Service Fund for Blended Component Units This fund is used for the accumulation of resources for and the retirement of principal and interest on debt issued by entities that are considered blended component units of the District under GAAP.

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a property and liability, dental, vision, and workers' compensation self-insurance fund that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity.

Basis of Accounting - Measurement Focus

Government - Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues of the activities of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from the cafeteria special revenue fund and the internal service fund, and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; furniture and equipment, 15 to 20; years, and vehicles, eight years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long - Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds, current year pension contributions, and for the unamortized amount on net change in proportionate share of net pension liability.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $114,477,000 of restricted net position, which is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the statement of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $443,550,069. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	$ 238,624,346
Fiduciary funds	2,726,920
Total Deposits and Investments	$ 241,351,266

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	$ 2,109,349
Cash in revolving	745,854
Investments	238,496,063
Total Deposits and Investments	$ 241,351,266

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds and Notes	N/A	None	None
Registered State Bonds and Notes	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
U.S. Agency Securities	N/A	None	None
Farmer Credit System Bonds and Notes	N/A	None	None
Farmers Home Administration Certificates	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Federtal Home Loan Bank System Obligations	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Resolution Funding Corporation Obligations	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association Obligations	N/A	None	None
U.S. Maritime Administration Obligations	N/A	None	None
U.S. Department of Housing and Urban Development Bonds and Notes	N/A	None	None
Money Market Funds	N/A	None	None
Deposit Accounts, Time Certificates of Deposit, Negotiable Certificates of Deposit	180 days	None	None
Commercial Paper	270 days	None	None
Federal Funds and Bankers Acceptance	365 days	None	None
Repurchase Agreement	30 days	None	None
Investment Agreement	N/A	None	None
Prefunded Municipal Bonds	N/A	None	None
State Investment Fund	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Amount Reported	Fair Value	Average Maturity in Days/ Maturity Date
Orange County Investment Pool	$ 226,974,166	$ 227,113,878	370 days
Dreyfus Institutional Reserve Treasury Money Market Fund	1,985,601	1,985,601	39 days
INVESCO Government and Agency Money Market Fund	1,029	1,029	1 - 180 days
BNP Paribas Fortis New	5,880,975	5,972,903	12/21/15
FORTIS FDG LLC Commercial Paper	3,654,292	3,713,457	10/27/15
Total	$ 238,496,063	$ 238,786,868	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

The investment in the Orange County Investment Pool is not required to rated, nor has it been rated as of June 30, 2015. The investment in Dreyfus Institutional Reserve Treasury Money Market Fund and the investment in INVESCO Government and Agency Money Market Fund have been rated Aaa-mf by Moody's Investor Service as of June 30, 2015. The investments in BNP Paribas Fortis New has been rated A-1 by Standard and Poor's as of June 30, 2015. The investment in FORTIS FDG LLC Commercial Paper has been rated P-1 by Moody's Investor Service as of June 30, 2015.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of $1,743,092 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investments in FORTIS FDG LLC and BNP Paribas Fortis New of $9,535,267, the District has a custodial credit risk exposure of $9,535,267 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Federal Government							
Categorical aid	$ 10,924,308	$ -	$ -	$ 8,485,863	$ -	$ 19,410,171	$ -
State Government							
Categorical aid	5,557,127	-	-	1,143,532	-	6,700,659	-
Lottery	4,623,876	-	-	-	-	4,623,876	-
Local Government							-
Interest	24,332	10,820	20,866	14,303	10,623	80,944	-
Regional occupational program	2,082,310	-	-	-	-	2,082,310	-
Other Local Sources	5,142,463	-	3,052,781	161,179	623,356	8,979,779	455
Total	$ 28,354,416	$ 10,820	$ 3,073,647	$ 9,804,877	$ 633,979	$ 41,877,739	$ 455

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 136,172,405	$ -	$ -	$ 136,172,405
Construction in progress	21,513,529	70,479,301	40,787,127	51,205,703
Total Capital Assets Not Being Depreciated	157,685,934	70,479,301	40,787,127	187,378,108
Capital Assets Being Depreciated:				
Land improvements	24,920,609	-	-	24,920,609
Buildings and improvements	895,636,008	40,787,127	-	936,423,135
Furniture and equipment	14,109,210	-	-	14,109,210
Total Capital Assets Being Depreciated	934,665,827	40,787,127	-	975,452,954
Total Capital Assets	1,092,351,761	111,266,428	40,787,127	1,162,831,062
Less Accumulated Depreciation:				
Land improvements	17,819,476	377,550	-	18,197,026
Buildings and improvements	144,483,606	11,420,477	-	155,904,083
Furniture and equipment	3,942,073	348,617	-	4,290,690
Total Accumulated Depreciation	166,245,155	12,146,644	-	178,391,799
Governmental Activities Capital Assets, Net	$ 926,106,606	$ 99,119,784	$ 40,787,127	$ 984,439,263

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 7,409,453
Supervision of instruction	1,323,984
All other pupil services	1,433,304
All other administration	668,065
Plant services	1,311,838
Total Depreciation Expenses Governmental Activities	$ 12,146,644

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds, and the internal service fund are as follows:

	Due From					
Due To	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 9,407	$ 93,773	$ 2,938,648	$ 1,890,926	$ 4,932,754
County School Facilities Fund	-	-	4,015,915	-	3,328	4,019,243
Special Reserve Fund for Capital Outlay Projects	653,754	-	-	500,000	244	1,153,998
Non-Major Governmental Funds	4,128,449	39,715	2,519,752	105,472	55,278	6,848,666
Internal Service Fund	5,110,701	8,257	799	284,960	-	5,404,717
Total	$ 9,892,904	$ 57,379	$ 6,630,239	$ 3,829,080	$ 1,949,776	$ 22,359,378

A balance of $927,690 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from reimbursement of salaries and benefits paid.

A balance of $1,965,438 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from indirect costs and reimbursement of salaries and benefits paid.

The balance of $93,773 due to the General Fund from the Special Reserve Fund for Capital Outlay Projects resulted from reclassification of building/modernization expenses.

A balance of $1,390,145 due to the General Fund from the Internal Service Fund resulted from reimbursement of excess workers' compensation contributions.

A balance of $500,781 due to the General Fund from the Internal Service Fund resulted from a temporary loan.

A balance of $3,796,039 due to the Cafeteria Non-Major Governmental Fund from the General Fund resulted from catering and reimbursement of National School Lunch Program revenues posted to the General Fund.

A balance of $979,427 due to the Building Non-Major Governmental Fund from the Special Reserve Fund for Capital Outlay Projects resulted from reclassification of building/modernization expenses.

The balance of $4,015,915 due to the County School Facilities Fund from the Special Reserve Fund for Capital Outlay Projects resulted from reclassification of building/modernization expenses.

A balance of $1,440,230 due to the Capital Facilities Non-Major Governmental Fund from the Special Reserve Fund for Capital Outlay Projects resulted from reclassification of building/modernization expenses.

The balance of $5,110,701 due to the Internal Service Fund from the General Fund resulted from insurance premiums.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

	Transfer From		
Transfer To	General Fund	Special Reserve Fund for Capital Outlay Projects	Total
Special Reserve Capital Fund for Outlay Projects	$ 572,076	$ -	$ 572,076
Non-Major Governmental Funds	4,224,980	1,442,131	5,667,111
Internal Service Funds	272,834	-	272,834
Total	$ 5,069,890	$ 1,442,131	$ 6,512,021

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for repayment of indirect costs charged for program.	$ 516,163
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service payments.	3,708,817
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for capital projects costs.	572,076
The Special Reserve Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for reimbursement for solar project expenditures.	1,442,131
The General Fund transferred to the Internal Service Non-Major Governmental Fund for health and welfare benefits related costs.	272,834
Total	$ 6,512,021

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	$ 2,681,948	$ -	$ -	$ 1,362,265	$ -	$ 4,044,213
LCFF apportionment	1,826,571	-	-	-	-	1,826,571
Salaries and benefits	13,379,667	49,403	3,906	104,796	5,296,414	18,834,186
Books and supplies	3,824,929	-	-	103,336	-	3,928,265
Construction	362,426	5,439,044	7,932,570	910,682	-	14,644,722
Services and other operating payables	3,995,763	-	525	1,057,166	-	5,053,454
Total	$ 26,071,304	$ 5,488,447	$ 7,937,001	$ 3,538,245	$5,296,414	$ 48,331,411

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 982,541	$ -	$ 6,728	$ 989,269
State categorical aid	74,787	28,887,636	-	28,962,423
Other local	117,885	-	-	117,885
Total	$ 1,175,213	$ 28,887,636	$ 6,728	$ 30,069,577

NOTE 8 - LOAN FROM COUNTY TREASURER

On January 29, 2014, in accordance with California Constitution Article XVI, Section 6 and *Education Code* Section 42620, the District entered into a Temporary Transfer Agreement with the County of Orange, whereby the District borrowed $35,000,000 from the County Treasurer to meet current maintenance expenses of the District. Repayment terms required full repayment be made no later than October 31 following each fiscal year. At June 30, 2015, the loan was paid in full.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 327,940,045	$ 7,522,885	$ 8,965,000	$ 326,497,930	$ 9,605,000
Premium on issuance	8,919,085	-	441,289	8,477,796	-
Certificates of participation	81,913,210	1,631,383	3,275,000	80,269,593	3,385,000
Premium on issuance	1,236,871	-	56,218	1,180,653	-
2002 Qualified zone academy bonds	7,000,000	-	-	7,000,000	-
2005 Qualified zone academy bonds	4,500,000	-	-	4,500,000	-
Lease certificates	999,526	-	999,526	-	-
Career Technical Education facilities program loan	-	1,313,312	251,524	1,061,788	251,524
Compensated absences	680,719	1,217,039	-	1,897,758	-
Claims liability	14,651,590	585,923	2,031,404	13,206,109	2,031,404
Other postemployment benefits (OPEB)	43,495,672	15,310,287	9,515,197	49,290,762	-
	$ 491,336,718	$ 27,580,829	$ 25,535,158	$ 493,382,389	$ 15,272,928

Payments made on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation are made by the Debt Service Fund for Blended Component Units. Lease certificate payments are made from the Capital Facilities Fund. Career Technical Education facilities program loan will be paid by the General Fund. The accrued vacation will be paid by the fund for which the employees worked. The claims liability is paid from the Internal Service Fund. Other postemployment benefits are generally paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Accreted	Redeemed	Bonds Outstanding June 30, 2015
10/30/02	08/01/32	2.68-5.530%	$ 50,828,156	$ 46,716,827	$ 2,385,859	$ 3,515,000	$ 45,587,686
08/06/08	08/01/33	3.50-5.510%	99,997,856	96,025,998	1,071,217	1,245,000	95,852,215
11/12/09	08/01/29	3.00-4.250%	49,775,000	43,005,000	-	2,005,000	41,000,000
11/20/09	08/01/47	6.54-7.337%	34,861,114	47,358,694	3,662,381	-	51,021,075
11/20/09	09/15/26	5.910%	19,240,000	19,240,000	-	-	19,240,000
12/02/10	08/01/20	3.00-5.00%	8,591,011	8,473,526	403,428	1,230,000	7,646,954
12/02/10	08/01/28	6.450%	17,535,000	17,535,000	-	-	17,535,000
12/02/10	08/01/41	6.80-7.10%	19,775,000	19,775,000	-	-	19,775,000
12/02/10	08/01/22	2.50-5.00%	12,290,000	10,575,000	-	735,000	9,840,000
09/19/12	08/01/32	2.00-3.40%	19,720,000	19,235,000	-	235,000	19,000,000
				$ 327,940,045	$ 7,522,885	$ 8,965,000	$ 326,497,930

1999 General Obligation Bonds, Series 2002B

On October 30, 2002, the District issued capital appreciation bonds in the amount of $50,828,156 (accreting to $110,565,000 at maturity) in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds have a final maturity to occur on August 1, 2032, with interest rates ranging from 2.68 to 5.53 percent. At June 30, 2015, the principal balance outstanding was $45,587,686 (including accreted interest to date).

2008 General Obligation Bonds, Series A

On August 6, 2008, the District issued in $94,235,000 in current interest bonds and $5,762,856 in capital appreciation bonds (accreting to $22,700,000 at maturity) with an original premium of $6,022,280 and cost of issuance of $1,493,943. The bonds were issued to finance the acquisition, construction, and improvement of school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2033, with interest rates ranging from 3.50 to 5.51 percent. At June 30, 2015, the principal balance outstanding was $95,852,215 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2015, was $4,336,041.

2009 General Obligation Refunding Bonds

On November 12, 2009, the District issued $49,775,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $46,220,000 of the District's outstanding Election of 1999, General Obligation Bond, Series 2000. The bonds have a final maturity to occur on August 1, 2029, with interest rates ranging from 3.0 to 4.25 percent. At June 30, 2015, the principal balance outstanding was $41,000,000.

2008 General Obligation Bonds, Series B

On November 20, 2009, the District issued capital appreciation bonds in the amount of $34,861,114 (accreting to $418,255,000 at maturity) with an original premium of $1,809,422 and cost of issuance of $733,729. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2047, with interest rates ranging from 6.54 to 7.337 percent. At June 30, 2015, the principal balance outstanding was $51,021,075 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2015, was $1,547,532.

2008 General Obligation Bonds, Series C

On November 20, 2009, the District issued $19,240,000 in qualified school construction bonds under the provisions of the American Recovery and Reinvestment Act of 2009. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on September 15, 2026, with an interest rate of 5.91 percent. At June 30, 2015, the principal balance outstanding was $19,240,000.

2008 General Obligation Bonds, Series D, Series E, Series F

On December 2, 2010, the District issued $6,445,000 in current interest bonds and $2,146,011 (accreting to $5,875,000 at maturity) in capital appreciation bonds with Series D. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2020, with interest rates ranging from 3.00 to 5.00 percent. At June 30, 2015, the principal balance outstanding was $7,646,954 (including accreted interest to date).

On December 2, 2010, the District issued $17,535,000 in current interest bonds with Series F. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2028, with an interest rate of 6.45 percent. The District has designated the Series F Bonds as "qualified school construction bonds" under Section 54F of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2015, the principal balance outstanding was $17,535,000. Unamortized premium received on the bonds as of June 30, 2015 was $2,020,102.

On December 2, 2010, the District issued $19,775,000 in current interest bonds with Series E. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2041, with interest rates ranging from 6.80 to 7.10 percent. The District has designated the Series E Bonds as "Build America Bonds" under Section 55AA of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2015, the principal balance outstanding was $19,775,000.

2010 General Obligation Refunding Bonds

On December 2, 2010, the District issued $12,290,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $12,300,000 of the District's outstanding Election of 1999, General Obligation Bonds, Series 2002. The bonds have a final maturity to occur on August 1, 2022, with interest rates ranging from 2.50 to 5.00 percent. At June 30, 2015, the principal balance outstanding was $9,840,000. Unamortized premium received on the bonds as of June 30, 2015 was $574,121.

2012 General Obligation Refunding Bonds

On September 19, 2012, the District issued $19,720,000 in current interest bonds. The bonds were issued for the purpose of refunding $19,050,000 of the District's outstanding 1999 General Obligation Bonds, Series 2002. The bonds have a final maturity to occur on August 1, 2032, with interest rates ranging from 2.00 to 3.40 percent. At June 30, 2015, the principal balance outstanding was $19,000,000.

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest at Maturity	Total
2016	$ 9,524,494	$ 80,506	$ 10,051,384	$ 19,656,384
2017	9,933,194	241,806	9,811,965	19,986,965
2018	10,434,306	400,694	9,528,946	20,363,946
2019	10,578,333	1,071,667	10,196,926	21,846,926
2020	9,851,791	2,533,209	11,112,489	23,497,489
2021-2025	52,286,736	17,178,264	56,126,893	125,591,893
2026-2030	98,658,777	10,286,223	31,405,006	140,350,006
2031-2035	71,527,630	41,237,370	10,245,609	123,010,609
2036-2040	20,376,545	64,273,455	3,203,450	87,853,450
2041-2045	4,230,000	-	453,164	4,683,164
2046-2048	29,096,124	273,518,876	-	302,615,000
Total	$ 326,497,930	$ 410,822,070	$ 152,135,832	$ 889,455,832

Certificates of Participation

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2014	Accreted	Redeemed	Outstanding June 30, 2015
Oct-99	04/01/37	3.60-6.25%	$ 17,691,700	$ 28,093,210	$ 1,631,383	$ 1,100,000	$ 28,624,593
May-07	04/01/37	3.56-4.41%	29,725,000	25,075,000	-	925,000	24,150,000
Dec-12	12/01/35	4.25-5.20%	30,000,000	28,745,000	-	1,250,000	27,495,000
				$ 81,913,210	$ 1,631,383	$ 3,275,000	$ 80,269,593

In October 1999, the Corporation issued the 1999 Certificates of Participation in the amount of $17,691,700 with interest rates ranging from 3.60 to 6.25 percent. The certificates have a final maturity to occur on April 1, 2037. These certificates were issued for the construction of two elementary schools. At June 30, 2015, the principal balance outstanding was $28,624,593, including accreted interest on the capital appreciation certificates.

Year Ending June 30,	Principal Including Accreted Interest	Accreted Interest	Current Interest	Total
2016	$ 1,085,551	$ 64,449	$ 101,475	$ 1,251,475
2017	1,907,612	237,388	101,475	2,246,475
2018	1,859,202	360,798	101,475	2,321,475
2019	1,808,177	486,823	101,475	2,396,475
2020	-	-	101,475	101,475
2021-2025	8,258,179	5,986,821	507,375	14,752,375
2026-2030	7,062,915	9,542,085	507,375	17,112,375
2031-2035	3,709,160	6,815,840	507,375	11,032,375
2036-2037	2,933,797	2,876,203	166,925	5,976,925
Total	$ 28,624,593	$ 26,370,407	$ 2,196,425	$ 57,191,425

In May 2007, the Corporation issued the 2007 Certificates of Participation in the amount of $29,725,000 with interest rates ranging from 3.56 to 4.41 percent. The certificates have a final maturity to occur on April 1, 2037. The certificates were issued for the acquisition and construction of certain infrastructure improvements, as well as to refinance the Energy Savings Project and the 1998 and 1999 Financing Projects. At June 30, 2015, the principal balance outstanding was $24,150,000.

Year Ending June 30,	Principal	Current Interest	Total
2016	$ 980,000	$ 1,242,384	$ 2,222,384
2017	1,015,000	1,193,384	2,208,384
2018	1,085,000	1,151,515	2,236,515
2019	400,000	1,097,265	1,497,265
2020	420,000	1,080,765	1,500,765
2021-2025	2,515,000	5,063,625	7,578,625
2026-2030	4,910,000	4,250,400	9,160,400
2031-2035	7,635,000	2,605,312	10,240,312
2036-2037	5,190,000	418,425	5,608,425
Total	$ 24,150,000	$ 18,103,075	$ 42,253,075

In December 2012, the Corporation issued the 2012 Certificates of Participation in the amount of $30,000,000, pursuant to a lease agreement with the District and Santa Ana Unified School District Public Facilities Corporation, with interest rates ranging from 4.25 to 5.20 percent. The certificates have a final maturity to occur on December 1, 2035. The certificates were issued to implement certain District's facilities projects. At June 30, 2015, the principal balance outstanding was $27,495,000.

Year Ending June 30,	Principal	Current Interest	Total
2016	$ 1,255,000	$ 1,233,724	$ 2,488,724
2017	1,260,000	1,180,280	2,440,280
2018	1,265,000	1,126,624	2,391,624
2019	1,270,000	1,072,755	2,342,755
2020	1,275,000	1,018,674	2,293,674
2021-2025	6,450,000	4,274,713	10,724,713
2026-2030	6,580,000	2,870,861	9,450,861
2031-2035	6,755,000	1,237,575	7,992,575
2036	1,385,000	36,010	1,421,010
Total	$ 27,495,000	$ 14,051,216	$ 41,546,216

Qualified Zone Academy Bonds

In December 2002, the District, pursuant to a lease/purchase agreement with the Corporation, issued $7,000,000 of 2002 Lease Revenue Bonds, Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on December 19, 2016, with the entire principal amount of $7,000,000 due at this date. The bonds do not bear interest. In lieu of receiving periodic interest payments, eligible taxpayers who are bondholders will receive an annual Federal income tax credit. The annual base rental payment of $395,183 to begin December 19, 2002, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the $7,000,000 certificates upon maturity on December 19, 2016. At June 30, 2015, the principal balance outstanding was $7,000,000.

In October 2005, the District issued $4,500,000 of 2005 QZAB to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on October 26, 2021. The annual base rental payment of $230,810 to begin October 15, 2005, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the $4,500,000 certificates upon maturity on October 26, 2021. At June 30, 2015, the principal balance outstanding was $4,500,000.

Lease Certificates

On August 1, 2009, the District refinanced the outstanding balance of the 1990 Certificates of Participation by purchasing 2009 Current Interest Lease Certificates in the amount of $5,118,911 with an interest rate of 3.83 percent. As June 30, 2015, the lease certificates were paid in full.

Career Technical Education Facilities Program Loan

The District obtained a long-term loan to fund various startup costs of the career technical education program. At June 30, 2015, the outstanding balance on the loan was $1,061,788.

Year Ending June 30,	Principal
2016	$ 251,524
2017	251,524
2018	251,524
2019	153,608
2020	153,608
	$ 1,061,788

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2015, amounted to $1,897,758.

Claims Liability

Liabilities for claims for all injury and compensation cases are established by the District's independent administrator. These liabilities are based upon estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balances of $13,206,109 were discounted at a rate of 0.5 percent and were accepted as estimated by the District's administrator.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $16,740,624, and contributions made by the District during the year were $9,515,197. Interest on the net OPEB obligation and adjustments to the annual required contribution were $1,957,305 and $(3,387,642), respectively, which resulted in an increase to the net OPEB obligation of $5,795,090. As of June 30, 2015, the net OPEB obligation was $49,290,762. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $11,065,000 as of June 30, 2015, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 190,000	$ -	$ -	$ 5,854	$ 195,854
Stores inventories	1,105,197	-	-	596,092	1,701,289
Total Nonspendable	1,295,197	-	-	601,946	1,897,143
Restricted					
Legally restricted programs	9,988,327	-	-	86,634	10,074,961
Cafeteria program	-	-	-	21,167,571	21,167,571
Capital projects	-	29,275,154	1,665,516	22,447,394	53,388,064
Debt services	-	-	-	29,592,071	29,592,071
Total Restricted	9,988,327	29,275,154	1,665,516	73,293,670	114,222,667
Committed					
Stabilization	7,326,913	-	-	-	7,326,913
Deferred maintenance program	-	-	-	1,802,996	1,802,996
Total Committed	7,326,913	-	-	1,802,996	9,129,909
Assigned					
Capital projects	-	-	14,410,898	1,697	14,412,595
Other program balances	23,618,094	-	-	-	23,618,094
Total Assigned	23,618,094	-	14,410,898	1,697	38,030,689
Unassigned					
Reserve for economic uncertainties	11,092,113	-	-	-	11,092,113
Total Unassigned	11,092,113	-	-	-	11,092,113
Total	$ 53,320,644	$ 29,275,154	$ 16,076,414	$ 75,700,309	$ 174,372,521

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Santa Ana Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 755 retirees and beneficiaries currently receiving benefits and 4,028 active plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed $9,515,197 to the Plan, all of which was used for current premiums (approximately 100 percent of total premiums).

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 16,740,624
Interest on net OPEB obligation	1,957,305
Adjustment to annual required contribution	(3,387,642)
Annual OPEB cost (expense)	15,310,287
Contributions made	(9,515,197)
Increase in net OPEB obligation	5,795,090
Net OPEB obligation, beginning of year	43,495,672
Net OPEB obligation, end of year	$ 49,290,762

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 12,289,010	$ 8,916,380	73%	$ 35,569,789
2014	15,570,927	7,645,044	49%	43,495,672
2015	15,310,287	9,515,197	62%	49,290,762

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
August 1, 2014	$ -	$ 120,493,717	$ 120,493,717	0%	$ 329,360,215	37%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2014 actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial ten percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2015, was 23 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 13 - RISK MANAGEMENT

The District's risk management activities are recorded in the Self-Insurance Fund. The General Fund, through the purchase of commercial insurance, administers employee life and health programs. The District self-insures its exposures for workers' compensation claims up to a $1 million self-insured retention (SIR), and has obtained excess coverage up to statutory limits through participation in the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District also participates in ASCIP for property and liability coverage up to $5 million. Excess property and liability coverage is obtained through the public entity risk pool, Schools Excess Liability Fund (SELF). See Note 16 for additional information relating to public entity risk pools.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2014 to June 30, 2015:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2013	$ 17,594,196	$ 424,410	$ 18,018,606
Claims and changes in estimates	(444,234)	575,899	131,665
Claims payments	(3,041,123)	(457,558)	(3,498,681)
Liability Balance, June 30, 2014	14,108,839	542,751	14,651,590
Claims and changes in estimates	263,501	322,422	585,923
Claims payments	(1,490,966)	(540,438)	(2,031,404)
Liability Balance, June 30, 2015	$ 12,881,374	$ 324,735	$ 13,206,109
Assets available to pay claims at June 30, 2015	$ 27,117,423	$ 1,562,532	$ 28,679,955

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 292,931,830	$ 21,815,399	$ 72,133,905	$ 25,289,476
CalPERS	84,713,519	12,565,980	29,108,514	7,529,302
CalPERS - Safety Risk Pool	1,878,447	313,139	583,636	268,282
Total	$ 379,523,796	$ 34,694,518	$ 101,826,055	$ 33,087,060

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $21,815,399.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	292,931,830
State's proportionate share of the net pension liability associated with the District		176,884,886
Total	$	469,816,716

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.5013 percent.

For the year ended June 30, 2015, the District recognized pension expense of $25,289,476. In addition, the District recognized revenue and pension expense of $15,270,877 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 21,815,399	$ -
Difference between projected and actual earnings on pension plan investments	-	72,133,905
Total	$ 21,815,399	$ 72,133,905

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 18,033,476
2017	18,033,476
2018	18,033,476
2019	18,033,477
Total	$ 72,133,905

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 456,604,112
Current discount rate (7.60%)	292,931,830
1% increase (8.60%)	156,458,892

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety, 2013. These reports and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions for CalPERS and CalPERS Safety Risk Pool were $9,348,884 and $313,139, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Safety Risk Pool net pension liability totaling $84,713,519 and $1,878,447, respectively. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.7462 percent for CalPERS and 0.0302 percent for CalPERS Safety Risk Pool.

For the year ended June 30, 2015, the District recognized pension expense of $7,529,302 for CalPERS and $268,282 for CalPERS Safety Risk Pool. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,348,884	$ -
Net change in proportionate share of net pension liability	3,217,096	-
Difference between projected and actual earnings on pension plan investments	-	29,108,514
Total	$ 12,565,980	$ 29,108,514

	CalPERS Safety Risk Pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 313,139	$ -
Differences between projected and actual earnings on pension plan investments	-	583,636
Total	$ 313,139	$ 583,636

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred outflow of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average service lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-14 measurement period is 3.9 years and the pension expense will be amortized as follows:

Year Ended June 30,	CalPERS Amortization
2016	$ 1,072,365
2017	1,072,365
2018	1,072,366
Total	$ 3,217,096

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	CalPERS Amortization
2016	$ 7,277,128
2017	7,277,128
2018	7,277,128
2019	7,277,130
Total	$ 29,108,514

Year Ended June 30,	CalPERS Safety Risk Pool Amortization
2016	$ 145,909
2017	145,909
2018	145,909
2019	145,909
Total	$ 583,636

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	CalPERS
Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 148,606,850
Current discount rate (7.50%)	84,713,519
1% increase (8.50%)	31,324,199

	CalPERS Safety Risk Pool
Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 3,088,327
Current discount rate (7.50%)	1,878,447
1% increase (8.50%)	881,558

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $13,067,273 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Overcrowded Relief Program		
King Elementary	$ 1,768,436	12/01/15
Wilson Elementary	581,945	12/01/15
Franklin Elementary	1,751,891	06/01/16
Modernization Projects		
ALA (site 117)	1,745,085	12/01/15
Mitchell Child Development Center	6,446,430	06/01/16
Fremont Elementary	1,684,153	11/01/15
Lathrop Intermediate	1,281,042	11/01/15
Lincoln Elementary	662,101	11/01/15
Saddleback High	9,116,752	11/01/15
Santa Ana High	656,747	11/01/15
Spurgeon Intermediate	1,244,424	11/01/15
Willard Intermediate	810,809	11/01/15
Adams Elementary	188,162	12/01/15
Lathrop Intermediate	275,087	12/01/15
Martin Elementary	1,923,052	12/01/15
Remington Elementary	1,264,549	12/01/15
Roosevelt Elementary	622,304	12/01/15
Santa Ana public schools park	6,122,663	06/01/16
Saddleback High	5,827,766	09/01/16
Other Projects		
Franklin Elementary	301,535	02/01/16
Lathrop Intermediate	58,098	02/01/16
Madison Elementary	283,764	02/01/16
Pio Pico Elementary	17,500	02/01/16
Saddleback High	11,972	02/01/16
Santa Ana High	13,698	02/01/16
Segerstrom High	9,611	02/01/16
Sepulveda Elementary	505,005	02/01/16
Valley High	9,262	02/01/16
Walker Elementary	621,063	02/01/16
Wilson Elementary	244,148	02/01/16
	$ 46,049,054	

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to the applicable entity for its property and liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2015, the District made payments of $2,202,896 and $169,161 to ASCIP and SELF, respectively for property and liability coverage.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 646,491,319
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(471,135,401)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	27,585,332
Net Position - Beginning as Restated	$ 202,941,250

NOTE 18 – SUBSEQUENT EVENTS

2015 Special Tax Refunding Bonds

On July 8, 2015, the Community Facilities District No. 2004-1 of the Santa Ana Unified School District issued $7,735,000 of 2015 Special Tax Refunding Bonds. The current interest bonds mature September 1, 2023, with interest yields of 2.00 to 3.00 percent. Proceeds from the bonds will be used to refund the outstanding special tax bonds of the Community Facilities District, to fund a reserve account for the 2015 bonds, and to pay costs associated with the issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA ANA UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 412,966,218	$ 414,075,399	$ 415,938,621	$ 1,863,222
Federal sources	37,913,877	51,619,889	41,949,463	(9,670,426)
Other State sources	58,431,716	64,712,801	77,582,625	12,869,824
Other local sources	8,535,571	16,632,472	16,471,758	(160,714)
Total Revenues [1]	517,847,382	547,040,561	551,942,467	4,901,906
EXPENDITURES				
Current				
Certificated salaries	262,206,169	255,605,353	251,123,907	4,481,446
Classified salaries	73,357,493	77,235,512	76,749,909	485,603
Employee benefits	107,741,189	112,153,454	116,909,924	(4,756,470)
Books and supplies	18,752,227	32,448,440	27,167,361	5,281,079
Services and operating expenditures	54,174,347	59,757,589	53,384,998	6,372,591
Other outgo	3,658,411	3,061,643	3,816,577	(754,934)
Capital outlay	3,820,128	8,612,066	7,910,980	701,086
Debt service - principal	-	251,524	251,524	-
Debt service - interest	-	-	13,739	(13,739)
Total Expenditures [1]	523,709,964	549,125,581	537,328,919	11,796,662
Excess (Deficiency) of Revenues Over Expenditures	(5,862,582)	(2,085,020)	14,613,548	16,698,568
Other Financing Sources (Uses)				
Other sources - proceeds from facilities program loan		-	1,313,312	1,313,312
Transfers out	(4,739,935)	(7,631,430)	(5,069,890)	2,561,540
Net Financing Sources (Uses)	(4,739,935)	(7,631,430)	(3,756,578)	3,874,852
NET CHANGE IN FUND BALANCES	(10,602,517)	(9,716,450)	10,856,970	20,573,420
Fund Balances - Beginning	42,463,674	42,463,674	42,463,674	-
Fund Balances - Ending	$ 31,861,157	$ 32,747,224	$ 53,320,644	$ 20,573,420

[1] On behalf payments of $13,067,273 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2009	$ -	$ 119,052,495	$ 119,052,495	0%	$ 300,812,763	40%
July 1, 2011	-	120,452,385	120,452,385	0%	301,041,077	40%
August 1, 2014	-	120,493,717	120,493,717	0%	329,360,215	37%

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability	0.5013%
District's proportionate share of the net pension liability	$ 292,931,830
State's proportionate share of the net pension liability associated with the District	176,884,886
Total	$ 469,816,716
District's covered - employee payroll	$ 224,429,169
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	130.52%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability	0.7462%
District's proportionate share of the net pension liability	$ 84,713,519
District's covered - employee payroll	$ 74,554,979
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	113.63%
Plan fiduciary net position as a percentage of the total pension liability	83%
CalPERS - SAFETY RISK POOL	
District's proportion of the net pension liability	0.0302%
District's proportionate share of the net pension liability	$ 1,878,447
District's covered - employee payroll	$ 1,714,755
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	109.55%
Plan fiduciary net position as a percentage of the total pension liability	83%

Note: In the future, as data become available, ten years of information will be presented.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 21,815,399
Contributions in relation to the contractually required contribution	21,815,399
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 245,668,908
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 9,348,884
Contributions in relation to the contractually required contribution	9,348,884
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 79,423,023
Contributions as a percentage of covered - employee payroll	11.77%
CalPERS - SAFETY RISK POOL	
Contractually required contribution	$ 313,139
Contributions in relation to the contractually required contribution	313,139
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 1,714,755
Contributions as a percentage of covered - employee payroll	18.26%

Note: In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Fund for the Improvement of Education - Fitness for All	84.215F	[1]	$ 197,118
No Child Left Behind Act (NCLB)			
Title I, Part A - Low Income and Neglected	84.010	14329	15,233,018
Title I, Part G - Advance Placement Test Fee Reimbursement Program	84.330B	14831	189,953
Title I, Part C - Migrant Education Summer Program	84.011	10005	30,148
Title I, Part C - Migrant Education (Regular and Summer Program)	84.011	14326	496,550
Title I - School Improvement Grant	84.377	15248	1,160,160
Title II, Part A - Improving Teacher Quality	84.367	14341	2,328,493
Title III - Limited English Proficient Student Program	84.365	14346	2,848,794
Title IV, Part B, 21st Century Community Learning Centers	84.287	14349	1,597,263
Special Education (IDEA) Cluster:			
Local Assistance	84.027	13379	9,542,178
Preschool Local Entitlement	84.027A	13682	784,553
Preschool Grant	84.173	13430	333,154
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	700,555
Pre-Kindergarten Staff Development	84.173A	13431	1,191
Alternative Dispute Resolution, Part B, Sec 611	84.173A	13007	17,258
Total Special Education (IDEA) Cluster			11,378,889
Early Intervention Grants	84.181	23761	282,678
Passed through Central County Regional Occupancy Program:			
Carl D. Perkins Vocational and Technical Education Act Secondary, Section 131 (Vocational Education)	84.048	14894	519,887
Passed through Rancho Santiago Community College District:			
California State Gear-Up Program	84.334A	10088	45,265
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	294,942
Total U.S. Department of Education			36,603,158

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	$ 21,685,355
Especially Needy Breakfast Program	10.553	13390	4,881,675
Commodities	10.555	13389	2,188,207
Seamless Summer Feeding Program	10.559	13004	1,266,464
Total Child Nutrition Cluster			30,021,701
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	1,139,655
Child and Adult Care Food Program	10.558	13393	1,505,059
Passed through County of Orange - Health Care Agency:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance	10.574	[1]	83,576
Total U.S. Department of Agriculture			32,749,991
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medical Assistance Program:			
Medi-Cal Billing Option	93.778	10013	2,024,608
Passed through CDE:			
Child Care and Development Fund Cluster			
Child Care and Development Block Grant	93.575	15136	27,315
Child Care Mandatory and Matching Funds of the Child Care Fund	93.596	13609	57,258
Total Child Care and Development Fund Cluster			84,573
Passed through Central County Regional Occupancy Program:			
CalWORKs	93.558	[1]	1,345
Passed through Orange County Head Start, Inc.			
Head Start	93.600	10016	3,367,206
Total U.S. Department of Health and Human Services			5,477,732
NATIONAL SCIENCE FOUNDATION			
Passed through Regents of the University of California, Irvine:			
Irvine Mathematics Project	47.076	[1]	138,624
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps	12.000	[1]	124,401
Total Expenditures of Federal Awards			$ 75,093,906

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Santa Ana Unified School District was organized in 1888, and consists of an area comprising approximately 24 square miles. The District operates thirty-six elementary schools, nine middle schools, six high schools, ten special schools/programs, and three alternative high schools.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
John Palacio	President	2018
Cecilia Iglesias	Vice President	2016
Valerie Amezcua	Clerk	2018
José Alfredo Hernández, J.D.	Member	2016
Rob Richardson	Member	2016

ADMINISTRATION

Richard L. Miller, Ph.D.	Superintendent
David Haglund	Deputy Superintendent, Educational Services
Stefanie P. Phillips, Ed.D.	Deputy Superintendent, Operations
Tina Douglas	Assistant Superintendent, Business Services
Michelle Rodriguez, Ed.D.	Assistant Superintendent, Elementary Education
Dawn Miller	Assistant Superintendent, Secondary Education
Doreen Lohnes	Assistant Superintendent, Support Services
Vacant	Assistant Superintendent, Facilities/Governmental Relations
Mark McKinney	Associate Superintendent, Human Resources

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Final Report		As Adjusted per Audit	
	Second Period Report 3F84ED1C	Annual Report 2FCF4C62	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	17,077.82	17,068.81	17,077.82	17,068.81
Fourth through sixth	12,076.75	12,063.61	12,076.75	12,063.61
Seventh and eighth	7,641.61	7,628.33	7,641.61	7,628.33
Ninth through twelfth	14,056.21	13,947.09	13,898.00	13,788.88
Total Regular ADA	50,852.39	50,707.84	50,694.18	50,549.63
Extended Year Special Education				
Transitional kindergarten through third	52.75	52.75	52.75	52.75
Fourth through sixth	21.10	21.10	21.10	21.10
Seventh and eighth	4.90	4.90	4.90	4.90
Ninth through twelfth	53.33	53.33	53.33	53.33
Total Extended Year Special Education	132.08	132.08	132.08	132.08
Special Education, Nonpublic, Nonsectarian Schools				
Transitional kindergarten through third	3.92	3.87	3.92	3.87
Fourth through sixth	3.81	3.95	3.81	3.95
Seventh and eighth	4.53	4.29	4.53	4.29
Ninth through twelfth	8.27	7.43	8.27	7.43
Total Special Education, Nonpublic, Nonsectarian Schools	20.53	19.54	20.53	19.54
Extended Year Special Education, Nonpublic, Nonsectarian Schools				
Transitional kindergarten through third	0.61	0.61	0.61	0.61
Fourth through sixth	0.50	0.50	0.50	0.50
Seventh and eighth	0.60	0.60	0.60	0.60
Ninth through twelfth	1.41	1.41	1.41	1.41
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	3.12	3.12	3.12	3.12
Community Day School				
Seventh and eighth	13.07	13.45	13.07	13.45
Ninth through twelfth	68.37	65.27	68.37	65.27
Total Community Day School	81.44	78.72	81.44	78.72
Total ADA	51,089.56	50,941.30	50,931.35	50,783.09

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	35,000	35,098	180	-	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			50,765	180	-	Complied
Grade 2			50,765	180	-	Complied
Grade 3			50,765	180	-	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,373	180	-	Complied
Grade 5			54,373	180	-	Complied
Grade 6			54,373	180	-	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			54,373	180	-	Complied
Grade 8			54,373	180	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			64,800	180	-	Complied
Grade 10			64,800	180	-	Complied
Grade 11			64,800	180	-	Complied
Grade 12			64,800	180	-	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016[1]	2015	2014	2013
GENERAL FUND[4]				
Revenues	$ 602,552,794	$ 551,942,335	$ 490,412,451	$ 466,715,053
Other sources	-	1,313,312	-	13,743,902
Total Revenues and Other Sources	602,552,794	553,255,647	490,412,451	480,458,955
Expenditures	575,485,482	537,077,396	493,142,245	493,411,065
Other uses and transfers out	7,647,235	8,321,414	4,238,912	8,230,150
Total Expenditures and Other Uses	583,132,717	545,398,810	497,381,157	501,641,215
INCREASE (DECREASE) IN FUND BALANCE	$ 19,420,077	$ 7,856,837	$ (6,968,706)	$ (21,182,260)
ENDING FUND BALANCE	$ 69,740,588	$ 50,320,511	$ 42,463,674	$ 49,432,380
AVAILABLE RESERVES[2]	$ 11,662,654	$ 11,092,113	$ 9,689,804	$ 9,966,855
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO[3]	2.00%	2.08%	2.00%	2.04%
LONG-TERM OBLIGATIONS	N/A	$ 493,382,389	$ 491,336,718	$ 491,964,394
K-12 AVERAGE DAILY ATTENDANCE AT P-2	50,238	51,090	51,776	51,653

The General Fund balance has increased by $888,131 over the past two years. The fiscal year 2015-2016 budget projects a further increase of $19,420,077 (38.6 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years. However, the District anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $1,417,995 over the past two years.

Average daily attendance has decreased by 563 over the past two years. An additional decline of 852 ADA is anticipated during fiscal year 2015-2016.

[1] Budget 2016 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] On behalf payments of $13,067,273, $12,890,963, and $$12,134,159 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.
[4] General Fund amounts do not include activity related to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015

Name of Charter School	Included in Audit Report
Edward B. Cole Senior Academy of Santa Ana	No
El Sol Science and Arts Academy of Santa Ana	No
NOVA Academy	No
Orange County High School of the Arts	No
Orange County Educational Arts Academy (OCEAA)	No

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
ASSETS				
Deposits and investments	$ 453,562	$ 12,171,789	$ 2,472,040	$ 10,679,977
Receivables	513,000	9,264,652	1,054	4,101
Due from other funds	182,278	3,841,973	3,258	1,019,549
Stores inventories	-	596,092	-	-
Total Assets	$ 1,148,840	$ 25,874,506	$ 2,476,352	$ 11,703,627
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 90,881	$ 1,902,464	$ 625,565	$ 741,186
Due to other funds	964,597	2,202,525	47,791	2,675
Unearned revenue	6,728	-	-	-
Total Liabilities	1,062,206	4,104,989	673,356	743,861
Fund Balances:				
Nonspendable	-	601,946	-	-
Restricted	86,634	21,167,571	-	10,959,766
Committed	-	-	1,802,996	-
Assigned	-	-	-	-
Total Fund Balances	86,634	21,769,517	1,802,996	10,959,766
Total Liabilities and Fund Balances	$ 1,148,840	$ 25,874,506	$ 2,476,352	$ 11,703,627

See accompanying note to supplementary information.

Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ 9,118,763	$ 1,336,620	$ 20,027,239	$ 9,564,737	$ 65,824,727
21,912	158	-	-	9,804,877
1,701,513	-	-	100,095	6,848,666
-	-	-	-	596,092
$ 10,842,188	$ 1,336,778	$ 20,027,239	$ 9,664,832	$ 83,074,362
$ 178,126	$ 23	$ -	$ -	$ 3,538,245
6,492	505,000	-	100,000	3,829,080
-	-	-	-	6,728
184,618	505,023	-	100,000	7,374,053
-	-	-	-	601,946
10,657,570	830,058	20,027,239	9,564,832	73,293,670
-	-	-	-	1,802,996
-	1,697	-	-	1,697
10,657,570	831,755	20,027,239	9,564,832	75,700,309
$ 10,842,188	$ 1,336,778	$ 20,027,239	$ 9,664,832	$ 83,074,362

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
REVENUES				
Federal sources	$ 84,573	$ 32,666,415	$ -	$ -
Other State sources	2,279,988	2,400,077	4,023,252	-
Other local sources	1,695	1,645,580	10,636	54,490
Total Revenues	2,366,256	36,712,072	4,033,888	54,490
EXPENDITURES				
Current				
Instruction	1,614,484	-	-	-
Instruction-related activities:				
Supervision of instruction	224,266	-	-	-
School site administration	173,818	-	-	-
Pupil services:				
Food services	-	32,520,669	-	-
All other pupil services	174,365	-	-	-
Administration:				
All other administration	161,025	1,707,714	-	-
Plant services	292	273,880	3,680,656	10,410
Facility acquisition and construction	-	33,760	996,391	4,475,779
Enterprise services	-	118,189	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	2,348,250	34,654,212	4,677,047	4,486,189
Excess (Deficiency) of Revenues Over Expenditures	18,006	2,057,860	(643,159)	(4,431,699)
Other Financing Sources (Uses)				
Transfers in	-	516,163	-	-
NET CHANGE IN FUND BALANCES	18,006	2,574,023	(643,159)	(4,431,699)
Fund Balances - Beginning	68,628	19,195,494	2,446,155	15,391,465
Fund Balances - Ending	$ 86,634	$ 21,769,517	$ 1,802,996	$ 10,959,766

See accompanying note to supplementary information.

Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ -	$ -	$ 1,329,168	$ -	$ 34,080,156
-	-	85,016	-	8,788,333
3,870,165	200,598	19,279,199	1,412,823	26,475,186
3,870,165	200,598	20,693,383	1,412,823	69,343,675
-	-	-	-	1,614,484
-	-	-	-	224,266
-	-	-	-	173,818
-	-	-	-	32,520,669
-	-	-	-	174,365
35,424	-	-	-	1,904,163
67,308	320	-	-	4,032,866
1,731,029	232,920	-	-	7,469,879
-	-	-	-	118,189
999,526	-	8,965,000	3,275,000	13,239,526
38,282	-	10,218,109	2,575,587	12,831,978
2,871,569	233,240	19,183,109	5,850,587	74,304,203
998,596	(32,642)	1,510,274	(4,437,764)	(4,960,528)
-	-	-	5,150,948	5,667,111
998,596	(32,642)	1,510,274	713,184	706,583
9,658,974	864,397	18,516,965	8,851,648	74,993,726
$ 10,657,570	$ 831,755	$ 20,027,239	$ 9,564,832	$ 75,700,309

SANTA ANA UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

(Amounts in thousands)	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$41,951	7.6	$44,305	9.0	$58,536	12.5
State and local revenue limit in Local Control Funding Formula	415,939	75.3	353,362	72.1	276,288	59.2
Other State revenue	77,583	14.1	82,952	16.9	120,158	25.8
Other local revenue	11,457	2.1	8,667	1.8	6,510	1.4
Tuition and transfers in	5,012	0.9	1,127	0.2	5,223	1.1
Total Revenues	551,942	100.0	490,413	100.0	466,715	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	251,124	45.5	236,003	48.1	236,593	50.7
Classified salaries	76,750	13.9	71,250	14.5	66,128	14.2
Employee benefits	116,910	21.2	109,314	22.3	114,138	24.5
Total Salaries and Benefits	444,784	80.6	416,567	84.9	416,859	89.4
Books and supplies	27,167	4.9	19,027	3.9	15,159	3.2
Contracts and operating expenses	53,385	9.7	52,613	10.7	57,208	12.3
Capital outlay	7,911	0.2	1,176	0.2	1,807	0.4
Other outgo	3,830	0.7	3,759	0.8	2,378	0.5
Total Expenditures	537,077	96.1	493,142	100.5	493,411	105.8
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,865	3.9	(2,729)	(0.5)	(26,696)	(5.8)
OTHER FINANCING SOURCES (USES)						
Transfers, net	(8,321)	(1.5)	(4,239)	(0.9)	5,513	1.2
Other sources	1,313	0.2	-	-	-	-
INCREASE (DECREASE) IN FUND BALANCE	7,857	2.6	(6,968)	(1.4)	(21,183)	(4.6)
FUND BALANCE, BEGINNING	42,464		49,432		70,615	
FUND BALANCE, ENDING	$50,321		$42,464		$49,432	

General Fund amounts do not include activity related to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medical Billing Option funds that have been recorded in the current period as revenues that had not been expended as of June 30, 2015. These unspent balances are reported as legally restricted ending balances within the General Fund. The Build America Bonds are excluded from the provisions of the OMB Circular A-133, *Audits of Local Governments, and Non-Profit Organizations,* and therefore, are not presented in the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues reported from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 76,029,619
Medical Billing Option	93.778	393,455
Build America Bonds	[1]	(1,329,168)
Total Schedule of Expenditures of Federal Awards		$ 75,093,906

[1] CFDA number not available

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

INDEPENDENT AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Santa Ana Unified School District
Santa Ana, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Santa Ana Unified School District's basic financial statements, and have issued our report thereon dated December 4, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 17 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Ana Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Ana Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Ana Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Ana Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Santa Ana Unified School District in a separate letter dated December 4, 2015.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 4, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Governing Board
Santa Ana Unified School District
Santa Ana, California

Report on Compliance for Each Major Federal Program

We have audited Santa Ana Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Santa Ana Unified School District's major Federal programs for the year ended June 30, 2015. Santa Ana Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Ana Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Santa Ana Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Santa Ana Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Santa Ana Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major Federal program is not modified with respect to these matters.

Santa Ana Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying Federal Awards Findings and Questioned Costs section of this report. Santa Ana Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Santa Ana Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Santa Ana Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Santa Ana Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

Santa Ana Unified School District's response to the internal control over compliance findings identified in our audit are described in the accompanying Federal Awards and Questioned Costs section of this report. Santa Ana Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

VAVRINEK, TRINE, DAY + CO, LLP

Rancho Cucamonga, California
December 4, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Santa Ana Unified School District
Santa Ana, California

Report on State Compliance

We have audited Santa Ana Unified School District's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Santa Ana Unified School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Santa Ana Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Santa Ana Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion~~s~~. Our audit does not provide a legal determination of Santa Ana Unified School District's compliance with those requirements.

Basis for Qualified Opinion on Attendance Reporting, Middle College High School, and After School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, Santa Ana Unified School District did not comply with requirements regarding Attendance Reporting, Middle College High School, and After School Education and Safety Program; refer to State Award Findings and Questioned Costs, findings 2015-003 and 2015-004. Compliance with such requirements is necessary, in our opinion, for Santa Ana Unified School District to comply with the requirements applicable to that program.

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Qualified Opinion on Attendance Reporting, Middle College High School, and After School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Santa Ana Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Programs

In our opinion, Santa Ana Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Santa Ana Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes

	Procedures Performed
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have an Adult Education Program; therefore, we did not perform procedures related to the Adult Education Maintenance of Effort.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day + Co, LLP

Rancho Cucamonga, California
December 4, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,252,817
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

Unmodified for all programs except for the following State program which was qualified:

Name of State Program
Attendance Reporting
Middle College High School
After School Education and Safety Program

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

The following findings represent significant deficiencies and/or material instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2015-001 50000

Federal Program Affected

Title: Child Nutrition Cluster
CFDA: 10.553, 10.555, 10.559
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Agriculture

Criteria or Specific Requirements

Per Title 2, Code of Federal Regulations, Part 215, Subpart C, Section 215.34(f)(3), a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

Condition

During the 2014/2015 fiscal year, the District's Nutrition Services bought equipment but the recordkeeping of the equipment did not comply with Title 2, Part 215, Subpart C, Section 215.34(f)(3). The equipment was tagged by Nutrition Services, but was not added to the capital asset listing of the District.

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

The condition was identified as a result of review of the District's financial records and supporting invoices for the equipment transactions.

Effect

The recordkeeping of equipment is a direct and material compliance requirement that the District must adhere to. The District is non-compliant with the requirements stated in Title 2, Code of Federal Regulations, Part 215, Subpart C, Section 215.34(f)(3).

Cause

The condition identified appears to have materialized due to breakdown of internal control over equipment related transactions.

Recommendation

The District should review the requirements stated in Title 2, Part 215, Subpart C, Section 215.34(f)(3) and establish proper internal control procedures over equipment related transactions and implement a plan to ensure all the equipment and any other capital asset purchased using federal funds is properly tagged and added to the district's capital assets listing.

Corrective Action Plan

The following process will be implemented for assets:

- Food Service will tag all assets as they are received.
- All assets information from Food Services will be forwarded to the Accounting Department Manager.
- The information will be completely processed through the Fixed Assets System.
- Food Services and the Accounting Department will reconcile at year end all Capitalized Assets to insure that they are properly tracked in the Fixed Assets Module.

2015-002 50000

Federal Program Affected

Title: Child Nutrition Cluster
CFDA: 10.553, 10.555, 10.559
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Agriculture

Criteria or Specific Requirements

Per Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.14(f)(2) requires the proportion of total revenue from the sale of nonprogram foods to total revenue of the school food service account to be equal or greater than the proportion of total food costs associated with obtaining nonprogram foods to the total costs associated with obtaining program and nonprogram foods from the account.

Condition

During 2013/2014 fiscal year, the District's cafeteria operation did not track nonprogram revenues and costs separately to ensure compliance with Title 7, Part 210, Subpart C, Section 210.14(f)(2).

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

The condition was identified as a result of inquiry of the Nutrition Services department regarding tracking of nonprogram revenues and costs.

Effect

The revenue from nonprogram foods is a direct and material compliance requirement that the District must adhere to. The District is non-compliant with the requirements stated in Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.14(f)(2).

Cause

The condition identified appears to have materialized due to the District's lack of awareness of requirements under Title 7, Part 210, Subpart C, Section 210.14(f)(2).

Recommendation

The District should review the requirements stated in Title 7, Part 210, Subpart C, Section 210.14(f)(2) and implement a procedure to address the deficiency currently identified with the District's nonprogram revenue requirement. Specifically, we recommend the District incorporate procedures to track nonprogram revenues and costs separately to be able to perform the nonprogram revenue calculation in subsequent fiscal years.

Corrective Action Plan

1. Develop procedures to determine the SFA's nonprogram food prices and accurately record the SFA's non program food revenues and expenses to meet requirements under 7 CFR 210.14(f).
2. After implementing the procedures for 30 days, the SFA will complete the USDA Nonprogram Foods Tool to determine if the procedures are sufficient for the SFA to be in compliance with federal regulation or if further modifications are necessary.
3. Once the procedures have been finalized, the SFA must provide a copy of their procedures used to track revenues and expenditures from nonprogram foods along with one month worth of data to the Resource Management Unit for analysis to evaluate compliance with 7 CFR 210.14(f).

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
40000	State Compliance

After School Education and Safety Program

2015-003 40000

Criteria or Specific Requirements

According to *California Education Code Section* 8483(a)(1), every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

According to *California Education Code Section* 8483.1(a)(1), every before school component of a program established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day.

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement for the after school component of the program. However, in reviewing Fremont Elementary School's monthly summary total for the month of December 2014 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Fremont Elementary School's attendance rosters had a total of 1,935 students served whereas the total of the monthly summary was 2,086 students served, resulting in 151 exceptions. Exceptions consisted of 151 students who were released before 6PM on a daily basis but had no early release form on file. In addition, in reviewing Hoover Elementary School's monthly summary total for the month of December 2014 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Hoover Elementary School's attendance rosters had a total of 1,808 students served whereas the total of the monthly summary was 1,843 students served, resulting in 35 exceptions. Lastly, in reviewing King Elementary School's monthly summary total for the month of December 2014 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals also differ significantly. King Elementary School's attendance rosters had a total of 1,187 students served whereas the total of the monthly summary was 1,020 students served, resulting in 167 exceptions. Exceptions consisted of 167 students who were not report for month of December 2014.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, for two of the sites tested for the after school component of the program, there were 186 students served during the month of December 2014 for which the attendance rosters did not confirm to the District's early release policy. In addition, for one of the sites tested for the before school component of the program, there were 167 student served during the month of December 2014 that were not reported on the semi-annual attendance report.

Context

The condition identified resulted from our review of Fremont Elementary School's, Hoover Elementary School's, and King Elementary School's attendance records and monthly attendance summary totals for the month of December 2014. For the after school component of the program, the auditor selected two of 45 schools for the first semi-annual reporting period dated July to December 2014. the auditor noted that for the month of December 2014, Fremont Elementary School and Hoover Elementary School did not have early release forms for students that were being released before 6PM on a daily basis. For the before school component of the program, the auditor selected one of three schools for the first semi-annual reporting period dated July to December 2014. The auditor noted that for the month of December 2014, King Elementary school did not accurately report the number of student served.

Effect

As a result of the conditions identified, the District was not compliant with *Education Code* Section 8483(a)(1) for the 2014-2015 fiscal year for Fremont Elementary School, Hoover Elementary School, and King Elementary School because the report submitted to the State reflects inaccurate attendance information.

Cause

It appears that the condition identified for the after school component of the program was a result of the sites utilizing the number of students attended for a particular day rather than recounting the rosters to ensure the sites deduct those students who are not in compliance with the established early release policy. The sites did not have early release reason documented on the rosters for those students who were consistently released early from the ASES program. In addition, it appears that the condition identified, for the before school component of the program, has materialized as a result of the site not accurately counting the number of students served based on the attendance rosters.

Recommendation

The District should inform the sites regarding their early release policy including the importance of having an early release reason documented on the rosters for students who are continually released early. Also, prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the District should review and re-compute monthly attendance numbers per school site in order to verify that accurate information is being sent to the State for reporting.

Corrective Action Plan

To ensure future compliance, the District has adopted the following:

- A comprehensive early release policy and early release forms, which have been reviewed and approved by the California Department of Education, After School Division.
- A weekly attendance cover sheet for Site Coordinators to report daily and weekly attendance totals, are included in their weekly attendance packet.
- Routine program visits are scheduled to observe compliance of established attendance and early release procedures.
- The Attendance Office performs frequent ASES attendance audits, reviewing accuracy and compliance of attendance and early release policies and procedures.

Attendance Reporting and Middle or Early College High School

2015-004 10000 and 40000

Criteria or Specific Requirements

According to *California Education Code* Section 46146.5(b), a day of attendance for a pupil enrolled in an early college high school or middle college high school, who is a special part-time student enrolled in a community college under Article 1 (commencing with Section 48800) of Chapter 5 of Part 27, and who will receive academic credit upon satisfactory completion of enrolled courses, is 180 minutes of attendance.

Condition

In our sample of 40 students selected from the Middle College High School, we noted 21 students who did not meet the minimum required 180 minutes of attendance per day. Upon further review by the District, it was determined that 147 of 329 students did not meet the minimum required minutes of attendance. This resulted in a decrease of Average Daily Attendance (ADA) at P2 of 158.21 in grade span 9-12.

Questioned Costs

This compliance requirement does not have a questioned cost component. Since the District is a declining enrollment District, they are funded on prior year ADA. However, the noncompliance resulted in an estimated overstatement of ADA at P2 of 158.21 for grade span 9-12.

Context

The condition identified was determined through a sample selection of students from the Middle College High School. Based on the review of the sample, it was noted that 21 of 40 students did not meet the minimum required 180 minutes of attendance per day.

The auditor inquired further with the District and determined that the District did not schedule the students for a sufficient number of instructional minutes to meet the minimum required minutes. The District extracted student schedules from the student information system and computed the daily minutes for each student enrolled in Middle College High School. The District disallowed the days where a student did not meet the minimum required minutes, which resulted in total of 20,884 days of noncompliance for the entire school year. This resulted in an estimated decrease of 158.21 ADA (20,884 noncompliance days / 132 days (P2 divisor)) at P2. The auditor obtained a copy of this list and confirmed that the exceptions noted in our original testing were in fact noted on this list as students not meeting the minimum required minutes.

Effect

As a result of the conditions identified, the District was not compliant with *California Education Code* Section 46146.5(b) for the 2014-2015 fiscal year, resulting in a decrease of 158.21 ADA at P2.

Cause

It appears that the condition identified has materialized as a result of the District not ensuring that each student is schedule for the 180 minimum required minutes per day.

Recommendation

The District should emphasize the importance of students needing to meet the minimum required minutes per day. The District should review students' schedules to ensure that each student is schedule for a minimum of 180 minutes per day and enrolled in college courses concurrently. In addition, the District should revisit the matter and determine the actual impact of noncompliance and revise its attendance reports accordingly.

Corrective Action Plan

To ensure future compliance, the District has worked with Middle College High School to Ensure that:

- The Middle College bell schedule has been revised to ensure that California Education Code daily instructional minutes requirements are met.
- Student schedules has been revised to ensure that all minimum instructional minutes requirements have been met for each student.
- The Middle College bell schedule has been revised to ensure that passing periods between SAUSD classes and the Santa Ana College classes are not counted as part of instructional minute totals.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings

Instructional Materials

2014-001 Code 70000

Criteria or Specific Requirements

Pursuant to Education Code 60119, the District is required to hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before the eighth week from the first day pupils attended school for that year.

Condition

The District was found to be out of compliance with regard to when the public hearing for instructional materials was held. The District held the hearing on January 8, 2014, which was not within the first eight weeks of the start of school.

Questioned Costs

There were no questioned costs associated with this condition. However, the 2013-2014 funding allocation of $3,003,766 could be considered as inappropriately claimed by the District resulting in a decrease of funding.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the minutes of board meetings.

Effect

A public hearing, as required by Education Code 60119, was not held within eight weeks from the first day of the school year.

Cause

Turnover in staff caused oversight of applicable compliance requirements.

Recommendation

The District should make every effort to hold the public hearing before the eight weeks prior to the start of school. The District should designate a management employee with the responsibility for making sure the public hearing is identified on the board agenda before the eight weeks have passed. This non-compliance could result in loss of funding in the amount $3,003,766. The District should consider filing a waiver request specific to this finding. Components of the waiver request that are required to be submitted are: a copy of the audit finding, the response to the audit finding, a copy of the Board resolution for the audited year (if any), a copy of the 2014-2015 Board resolution, and proof of public hearing with the posted date and location to prove a "legally compliant hearing" had been held.

Current Status

Implemented in the current year.

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

Governing Board
Santa Ana Unified School District
Santa Ana, California

In planning and performing our audit of the financial statements of Santa Ana Unified School District, for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 4, 2015 on the government-wide financial statements of the District.

INTERNAL CONTROL

Capital Assets

Observation

The District currently does not have an adequate system in place to track and monitor capital asset activities. Currently, the District utilizes a capital asset system to track its activity; however the system has several deficiencies. The system does not appear to be accounting for current year additions adequately nor is it calculating depreciation accurately. In addition, current year deletions are also not reflected on the system. The District does utilize a vendor to inventory its capital assets every couple of years; however the capital asset system is not updated based on the reports provided by the vendor.

Recommendation

The District should establish and enforce formal procedures related to monitoring capital asset activities. Such procedures should include monthly review and reconciliation of capital asset additions and input into capital asset system for depreciation; procedures for disposal of assets including timeliness for when the inventory counts will be performed along with a process for reconciling physical inventory count information with the perpetual capital assets listing. The District should consult with the manufacture of the capital asset system to resolve the system deficiencies related to error in depreciation calculation.

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Child Nutrition Inventory

Observation

The Nutrition Services department does not have adequate procedures in place for physical inventory count. As a result, the inventory in the system is not reported accurately.

Recommendation

At minimum, physical counts of inventory should be taken annually. It is encouraged that the Nutrition Services department quarterly perform physical counts. In addition, to prevent the loss or the misappropriation of assets, the Nutrition Services department should reconcile the physical inventory count to a perpetual inventory of items available for use. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items used based on daily usage and receipts. The Nutrition Service department should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze the usage activity to determine if inventory has been lost or stolen.

Disbursements

Observation

It was noted that six of 40 disbursements selected for testing were not approved prior to the transaction taking place. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

All disbursements should be pre-approved prior to the transaction taking place. Disbursements should go through multiple levels of approval. One of the most important approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets.

Payroll Disbursements

Observation

It was noted that substitutes that are used for less than a full day are tracked manually on spreadsheets by school site staff, rather than implementing this on the substitute system the District has in place. At times the site staff will reference an incorrect employee code, which is used by payroll to process pay. This would result in paying the wrong substitute for services that they did not perform.

Recommendation

It is recommended that the District utilize the existing substitute system that has in place procedures related to tracking substitutes. The automated system will ensure the accuracy of the data needed to generate payroll. In addition, should the District not wish to implement partial day substitutes into their existing substitute system, the District should inform the school sites staff the importance of ensuring the correct employee code is used.

ASSOCIATED STUDENT BODY (ASB)

Gerald P. Carr Intermediate School

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that three of seven deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 13 to 105 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that three of 14 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, two of 14 vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASBs.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

Julia C. Lathrop Intermediate School

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that two of three deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 29 to 143 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that one of seven disbursements tested was not approved prior to transaction taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

Godinez Fundamental High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that 13 of 31 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 11 to 28 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Cash collected by teachers, advisors, fundraisers, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the Student Body Deposit Slip. All manual deposits tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Request for Deposit should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

Saddleback High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that 15 of 32 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 13 to 28 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Cash collected by teachers, advisors, fundraisers, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the Student Body Deposit Slip. All manual deposits tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact.
3. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, one of 16 vendor invoices was paid without the direct knowledge of whether or not the goods being ordered have been received by the ASBs.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Request for Deposit should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day + Co, LLP

Rancho Cucamonga, California
December 4, 2015